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17 APR 1972

MEMORANDUM FOR: Assistant Deputy Director for Plans

SUBJECT : FI Project (KDFACTOR, Security Review

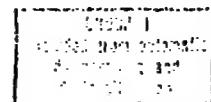
REFERENCE : ADDP Memo (DD/P 1-5899) to C/WHD dated
14 December 1971

1. In response to reference the following is a summary of the (KDFACTOR security review:

The Station summary of the (KDFACTOR Project security is as follows:

"There were no known problems of security relating to the Project. In response to the Headquarters request, we have reviewed all phases of the operation and believe that Project security is sound. The Project assets have all been with us for many years and have established themselves as respectable long-time residents of the area. All five assets, four in one family and one in another, are extremely security conscious and have all been SGSWIRLED. The assets derive a substantial portion of their livelihood from their Agency employment and would thus lose a great deal if security factors ever necessitated a termination of their work for us. As an additional safeguard, the (KDLITERAL and (KDABSINTHE operations are compartmented from each other, and there has never been any indication that either segment of (KDFACTOR knows of the other's existence".

The Headquarters desk has also reviewed the security of the (KDFACTOR Project and agrees with the Station that the security is sound. In fact, as presently constituted, the (KDFACTOR Project is well compartmented, and each of the two (KDFACTOR photo basehouses (KDLITERAL and (KDABSINTHE) is run by long-term assets who draw a minimum of suspicion in their operational activities. Terminated assets could possibly expose the existence



13/12

of this project, but that seems unlikely from the Headquarters review of terminated agents witting of present (KDFACTOR operational activities. A Soviet investigation of property ownership around the Soviet Embassy and their awareness that the Soviet Embassy was under photographic surveillance in the past could result in a Soviet investigation of the activities and contacts of (KDABBEY-1, the owner of an apartment building and four houses close to the Soviet Embassy. It is doubtful that (KDABBEY-1's activities, which do not inter-relate with the activities of the (KDFACTOR agents, would in any way expose the (KDFACTOR Project operational activities.

2. A brief history of the (KDFACTOR Project:

The (KDFACTOR Project had its origins in the LIJERSEY and LIPSTICK Projects, both active in the mid-1950's. In 1958, after the arrest of two LIPSTICK surveillance team members, it was decided to break off the more sensitive, uncompromised LIPSTICK assets manning and supporting two basehouses for photo surveillance of the Soviet Embassy. These assets were consolidated with one photo basehouse against the Soviet Embassy and one surveillance team from the LIJERSEY Project into a new project (LIEMPTY), which was approved on 16 January 1959. The LIEMPTY Project, renamed the (KDFACTOR Project in 1971, consisted of three photo basehouses, two viewing the front of the Soviet Embassy (LIMITED and LILYRIC) and one viewing the rear garden of the Soviet Embassy (LICALLA), plus a mobile surveillance team (LIENTRAP) tied closely with the LIMITED basehouse, which was the radio control point for dispatch of the LIENTRAP.

In 1959 the LIENTRAP surveillance vehicle and two team members were arrested at the scene of a Cuban demonstration in Mexico City. A Station review of the security implications of this incident stated that it did not materially affect the security of the project nor expose any of the LIEMPTY basehouse operations. (Note: As the basehouse operations were compartmented, the only exposure possible from this incident would have been of the LIMITED basehouse, which is no longer in existence.)

The LIEMPTY Project operated substantially as above until the Warren Commission report was published in late 1964. In this publication was a picture of a person entering the Soviet Embassy taken from the LIMITED basehouse. The LIMITED photo basehouse was closed in September 1964, and all photographic surveillance was suspended as a security precaution. In January 1965 the LIMITED basehouse was relocated, and

317V
SECRET

later that year the building it had previously been in was razed by the owner, ^{o2}(KD)ABBEY-1. From 1964 on it must be assumed that the Soviet Embassy in Mexico City believes it is under regular photographic surveillance.

Further project changes took place in 1966 when the LILYRIC basehouse was relocated to another apartment with approximately the same view. In May 1968 the LIMITED basehouse was terminated and LIEMPTY-6, the basehouse keeper, retired. This affected the LIENTRAP coverage of Soviet vehicular movement monitored and directed from the LIMITED basehouse. With the closing of LIMITED and the Station decision to replace Raymond H. GERENDE, Mexican national contract agent who handled the LIEMPTY Project since its inception, the LIENTRAP mobile surveillance team was underemployed, and the decision was made to move it to the LIEMBRACE Project. This was done in early 1970, soon after GERENDE had been relieved of operational responsibilities in December 1969.

The photo processing of the ^{o2}(KD)FACTOR (formerly LIEMPTY) film take is now being done by the Station. In the past, it was done by the Station, by GERENDE, and by ^{o2}(KD)FACTOR-1, who was terminated amicably in early 1971. The building housing the ^{o2}(KD)LITERAL (formerly LICALLA) photo basehouse was purchased in 1967 by ^{o2}(KD)ABBEY-1 for the Station. ^{o2}(KD)LITERAL is in a row of four houses all owned ostensibly by ^{o2}(KD)ABBEY-1 but actually by the Agency. This row also houses a basehouse for FID's ^{o2}(KD)VAULT Project. The apartment building housing the ^{o2}(KD)ABSINTHE (formerly LILYRIC) photo basehouse is owned outright by ^{o2}(KD)ABBEY-1, who has been most cooperative in assisting the Station in maintaining and occasionally moving (1965 and 1966) photo basehouses. The LIMITED photo basehouse was also located on ^{o2}(KD)ABBEY-1's property when it was active.

The individual basehouse operations are and have always been compartmented one from the other. The only points of breakdown in the compartmentation have been: (a) the LIMITED basehouse was linked to the LIENTRAP mobile surveillance; (b) ^{o2}(KD)FACTOR-1 was processing films from all the basehouses and could, therefore, be aware of their exact locations; (c) GERENDE was aware of all aspects of the ^{o2}(KD)FACTOR operation, and has since been terminated; (d) Oliver G. SCANTLING, Station contract agent retired in 1971, was aware of the ^{o2}(KD)FACTOR Project

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SECRET

through his past work with LIEMPTY-6 and with GERENDE on (KDFACTOR Project activities; and (e) the fact that the two present basehouse properties are owned by (KDABBEY-1, who is witting of the locations and general activity of both (KDFACTOR basehouses.

3. Agents and Case Officers presently active in the (KDFACTOR Project:

As of March 1972, Oliver J. MANKUNAS is the case officer responsible for handling the operations of (KDFACTOR; Bruce H. FERNALD is the alternate case officer. The following is a list of active agents in the (KDFACTOR Project:

- A. (KDFACTOR-2 (201-(136454))^{o2}^{o2}^{o8}
DATE OF OA: 27 December 1956^{o4}
DATE SGSWIRLED: 27 April 1966
PRESENT POSITION: (KDLITERAL Basehouse Operator
COVER: Accountant for a local bus line - works cover job in the evenings.
- B. (KDFACTOR-5 (201-(119961))^{o2}^{o2}^{o8}
DATE OF OA: 9 May 1956^{o9}
DATE SGSWIRLED: 2 March 1966
PRESENT POSITION: (KDABSINTHE Basehouse Operator
COVER: Industrial engineer - works cover job during the day.
- C. (KDFACTOR-6 (201-(167567))^{o2}^{o2}^{o8}
DATE OF OA: 16 October 1967
DATE SGSWIRLED: March 1966^{o2}
PRESENT POSITION: Wife of (KDFACTOR-5.
Co-(KDABSINTHE Basehouse Operator
COVER: Housewife
- D. (KDFACTOR-8 (201-(762111))^{o2}^{o2}^{o8}
DATE OF OA: 29 November 1965
DATE SGSWIRLED: 3 March 1966^{o2}
PRESENT POSITION: Son of (KDFACTORs-5 and 6.
Part-time (KDABSINTHE Basehouse Keeper/Operator.
COVER: Part-time shopping (shopper) investigator for Sears Roebuck de Mexico.

E. (KDFACTOR-9 (201-762112))
 DATE OF OA: 27 July 1966
 DATE SGSWIRLED: 3 March 1966
 PRESENT POSITION: Son of (KDFACTORs-5 and 6.
 Part-time (KDA) ABSINTHE Basehouse
 Keeper/Operator.
 COVER: Medical student

F. (KDFACTOR-10 (201-254181))
 DATE OF OA: 14 September 1959
 DATE SGSWIRLED: Not tested
 PRESENT POSITION: Non-salaried. Wife of (KDFACTOR-2,
 (KDLITERAL).
 COVER: Housewife

G. (KDABBEY
 DATE OF OA: 28 April 1954
 DATE SGSWIRLED: Not tested
 PRESENT POSITION: Non-salaried. President of
 (Construcciones Aztlan) Owner
 and landlord of (KDVAULT and
 (KDFACTOR basehouses.

Regarding the security of the above active (KDFACTOR agents, the (KDLITERAL basehouse is handled by (KDFACTOR-2 with the assistance of his wife, (KDFACTOR-10. They have a long-time maid and a 13-year-old son who lives with them in the basehouse. Neither the son nor the maid is believed to be witting. The photographic equipment is kept in a locked room, and the product is kept in a locked safe. (KDFACTOR-2 was recruited by (KDCALVERT-1, who is an active, long-term Station agent in the (KDCALVERT Project and who is not considered a threat to (KDFACTOR-2's security. (KDFACTOR-2's activities are also known to his brother, the former LIPSTICK-47, who was one of the two LIPSTICK surveillance team members arrested in 1958 and who gave the police considerable information regarding LIPSTICK surveillance activities. LIPSTICK-47 was terminated in late 1958 and is believed to have withheld from the police the information regarding (KDFACTOR-2 and the (KDLITERAL basehouse. (KDFACTOR-2 and his family have occupied the (KDLITERAL basehouse since 1957 and have been discreet and security-conscious in their dealings with neighbors and relatives.

SECRET

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o2 The (KD)ABSINTHE basehouse is manned by (KD)FACTOR-5, his wife (KD)FACTOR-6, and his two sons (KD)FACTOR-8 and (KD)FACTOR-9. The SGSWIRL of 2 March 1966 went into detail on who is ^{o2}witting of (KD)FACTOR-5's work for the Station. The result was that his immediate family, including a married daughter who no longer lives at the basehouse, are aware of the photographic operation. ^{o2}(KD)FACTOR-5 was recruited by LIEMPTY-12, a U. S. citizen with a private company in Mexico City who is no longer working with the Station but who is considered patriotic and no threat to (KD)FACTOR security.

4. Terminated Agents Possibly Affecting Present Project Security:

A. Raymond H. GERENDE

GERENDE is a Mexican citizen and was a contract agent until his termination on 26 June 1970. ^{o2}He had been employed by the Station intermittently since 1955 and was used almost exclusively in support activities. Since the start of the LIEMPTY Project in 1958, GERENDE had been directly involved with this project serving as cutout to the basehouses, carrying and processing films, and giving general direction to the project as principal agent. In 1969, ^{o2}after years of excellent service with the Station, GERENDE had serious marital problems which ended in separation from his wife, (KD)FACTOR-7. From December 1969 to June 1970, GERENDE was not used operationally but was maintained on half pay with the hope the divorce proceedings would be completed quickly. When it became apparent the divorce would drag on interminably, the Station reluctantly terminated GERENDE and his wife. Bruce H. FERNALD, career agent, met with GERENDE monthly from July 1970 through May 1971 while paying him his termination bonus in ten installments. GERENDE is still living in Mexico City, where he owns some property and has an income as an English teacher to employees of two local firms. He visited his wife and children in Holland in December 1970. It appears he may now be financially pressed as his English class schedule has been cut back. The Station as of 10 April 1972 had no information that would indicate GERENDE has violated his secrecy agreement.

There is an indication that GERENDE came to the attention of the Soviets in 1968. A Mexican walk-in to the FBI office in Mexico City, who was later interrogated by the Federal Security Police in 1970, said that in 1968 he had been employed by the Soviet Embassy Second Secretary, Oleg Maskimovich Nechiporenko (201-305870), to investigate persons working with the Mexican Olympic Committee. The persons investigated

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SECRET

included GERENDE, who apparently became a specific target of Soviet investigation. It is unclear from the report of the Federal Security Police how far the Soviet investigation of GERENDE had proceeded. Nechiporenko was PNG'd from Mexico in March 1971. GERENDE's possible exposure to the Soviets could have been through his work on the Olympic Committee as a translator or through his work for the Station, which used him for a wide range of support tasks against the Soviet and Cuban targets.

B. (K)DFACTOR-7 (wife of GERENDE)

(K)DFACTOR-7 is a Dutch citizen and the former wife of GERENDE. She returned to the Netherlands in July 1970 with her children. She had served as a support agent assisting GERENDE. She is believed witting, in general terms, of GERENDE's activities regarding the (K)DFACTOR Project. She was terminated on 26 June 1970 and signed both a secrecy agreement and quit claim. After termination it became apparent that she had considerable hard feelings toward both the Agency and GERENDE over financial problems between her family and GERENDE. While the Station was not directly involved in all the financial problems, the Station was involved in regard to her divorce claims against GERENDE's salary, a large part of which came covertly from the Station. In July 1970 (K)DFACTOR-7 came to the Agency Headquarters and complained about her financial settlement. In September and November 1970 she wrote two letters directly to the Agency on the same subject. In late 1970 she also asked a Hague Embassy political officer to put her in contact with the Agency; however, she did not tell him the nature of her business. In January 1971 the Agency contacted

(K)DFACTOR-7's brother, a U. S. Army civilian with a "Top Secret" clearance living in Alexandria, Virginia, and was able to resolve the financial misunderstandings with (K)DFACTOR-7. In January 1971 (the Hague Station) 15-6 reported (K)DFACTOR had, without (Station) influence, obtained a job as social secretary with the Department of State at the Embassy. It is believed that this job has probably solved many of her financial problems and should also inhibit her from exposing her past work with the Mexico City Station, as such exposure could jeopardize her job. The Embassy in the Hague was briefed in general terms on (K)DFACTOR-7's background.

C. (K)DFACTOR-1

(K)DFACTOR-1 is a Mexican citizen and the brother-in-law of GERENDE. He was hired by the Station in 1956 to assist GERENDE in processing the photographic take of the (K)DFACTOR Project (at that time the LIPSTICK Project and later the LIEMPTY Project). (K)DFACTOR-1

SECRET

6/PV

was later assisted in processing the photographic take by his wife, LIEMPTY-5, who is GERENDE's sister.^{o2} (KDFACTOR-1 was terminated in March 1971,^{o2} and the photographic processing previously done by (KDFACTOR-1 is now done in the Station. The termination was amicable and largely due to delays in film processing as (KDFACTOR-1's medical practice expanded. There does not appear to be any security problem in the termination of (KDFACTOR-1 as he is discreet and also a close relative of GERENDE.^{o2} The security of processing the film in (KDFACTOR-1's medical office was good as (KDFACTOR-1's wife, LIEMPTY-5, was assisting him with the processing and with the security of the darkroom.

D. LIEMPTY-5

^{o2} LIEMPTY-5 was hired by the Station in 1957^{o2} to assist (KDFACTOR-1 with the processing of (KDFACTOR films. She is the sister of GERENDE and wife of (KDFACTOR-1.^{o2} She was terminated along with (KDFACTOR-1 in March 1971.^{o2} Due to her close relationship with GERENDE and (KDFACTOR-1, she is not considered a threat to the Project Security.

E. Oliver G. SCANTLING

^{o2} SCANTLING is a Mexican citizen who worked as a Station agent from 1954 until his termination without prejudice in February 1971.^{o2} SCANTLING is in an excellent financial position and has assisted the Station in recent years largely because his strong motivation to work against the Communists. SCANTLING worked as a surveillance team leader from 1964 to 1967^{o2} and then in the LIEMPTY_{o2} (KDFACTOR) Project from 1968 through 1966. He was the cut-out to LIEMPTY-6 and a back-up principal agent for GERENDE. SCANTLING's termination was amicable, and he is not considered a security problem to the Station or the (KDFACTOR Project.

F. LIEMPTY-6

LIEMPTY-6, a Mexican citizen and long-term Station asset, was retired in May 1968. He had manned the LIMITED photo base-house with his wife and son assisting him. He had been working with the Station since 1954^{o2} but age and ill health had reduced his efficiency. LIEMPTY-6 knows GERENDE and SCANTLING, but is not aware of the names or locations of any of the present (KDFACTOR agents and basehouses. While he could give information on his participation in (KDFACTOR activities up to 1968, he has no motive to do this and is apparently happily retired on his Agency termination bonus plus some financial assistance from his son-in-law. He is not considered a threat to the security of this Project.

SECRET

24/PV

There was one indication that the Soviets were seeking out the LIMITED photo basehouse and may have had suspicions concerning LIEMPTY-6. This was a report by (KD)ADAGE-10 that in mid-1966 Stanislav Sergeyevich Silnikov (201-271103), a Soviet Embassy guard, asked (KD)ADAGE 10 to report on his neighbors near the Soviet Embassy. Silnikov expressed interest in all the occupants of the new apartment building which houses the (KD)ABSINTHE photo basehouse, but did not mention the (KD)ABSINTHE basehouse keepers by name. Silnikov did name specific persons he was interested in and these included LIEMPTY-6. (KD)ADAGE-10, of unknown reliability, said he did not give Silnikov any information, but added that, between himself and the Station, he suspected LIEMPTY-6 and had heard it rumored he worked for the Americans. In 1966 Headquarters already assumed the Soviets were aware of the LIMITED basehouse because it was used for radio direction of the LIENTRAP mobile surveillance. In any case, the Soviets apparently took no action prior to the closing of the LIMITED basehouse and the relocation of LIEMPTY-6 in May 1968. It is believed this incident has no implications that would threaten the security of current (KD)FACTOR assets.

5. Current (KD)FACTOR Security Practices:

The two photo basehouses, (KD)LITERAL and (KD)ABSINTHE remain compartmented, as they have been throughout the history of the Project. The Station case officer responsible for the project meets weekly with (KD)FACTOR-2, responsible for the (KD)LITERAL basehouse, and with (KD)FACTOR-5, responsible for the (KD)ABSINTHE basehouse. In these meetings he picks up the product, provides new supplies, pays salaries and handles miscellaneous administrative matters. These are car meetings usually held in early morning or at night and the pickup points are changed regularly. Meeting time is kept to a minimum and meetings are pre-scheduled whenever possible. The photographic product is processed in the Station, thus increasing the security and timeliness of its handling over the past practice of having (KD)FACTOR-1 process it in his office darkroom. The case officer only meets with (KD)FACTOR-2 and (KD)FACTOR however, in emergencies other witting family members of either basehouse can be contacted and met. In case the present sites or personnel are compromised, the Station has rented another apartment in the building housing the (KD)ABSINTHE basehouse and has installed members of the (KD)CALVERT Project as residents. This new apartment offers as good a vantage point

SECRET

- 10 -

for photographic coverage as the (KD)ABSINTHE and could quickly be activated if for any reason the (KD)ABSINTHE basehouse becomes untenable.

Theodore G. Shackley
Theodore G. Shackley
Chief
Western Hemisphere Division

NOTED: John Morgan Jr.

ADD/P

12 May 72

Date

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ADDP MEMO of 14 December 1972 TATING
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